

SAN BERNARDINO COUNTY ASSESSMENT PRACTICES SURVEY

MARCH 2015

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March 10, 2015

TO COUNTY ASSESSORS:

No. 2015/012

**SAN BERNARDINO COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the San Bernardino County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Bob Dutton, San Bernardino County Assessor-Recorder-County Clerk, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the San Bernardino County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from March through August 2013. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

The former Assessor-Recorder-County Clerk, Mr. Draeger and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK:dcl
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the San Bernardino County Assessor-Recorder-County Clerk's Office.¹

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the San Bernardino County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Bob Dutton, San Bernardino County Assessor-Recorder-County Clerk, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

¹ This review covers only the assessment functions of the office.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."² The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment, review each county's property assessment practices and procedures once every five years, and publish an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code³ section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county.

This survey included an assessment sample of the 2012-13 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments.⁴

² Government Code section 15642.

³ Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

⁴ For a detailed description of the scope of our Assessment Sampling Program, please refer to BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>.

Our survey methodology of the San Bernardino County Assessor-Recorder-County Clerk's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contacts with officials in other public agencies in San Bernardino County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the Assessment Practices Survey, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, decline-in-value assessments, and certain properties subject to special assessment procedures, such as mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, and business equipment valuation.

EXECUTIVE SUMMARY

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing staffing, workload, assessment appeals, and exemptions. However, we made recommendations for improvement in the staff property and activities program.

In the area of real property assessment, the assessor has effective programs for new construction, declines in value, and mineral property. However, we made recommendations for improvement in the change in ownership program.

In the area of personal property and fixtures assessment, the assessor has an effective program for processing business property statements. However, we made recommendations for improvement in the audit and business equipment valuation programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

The San Bernardino County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2012-13 assessment roll indicated an average assessment ratio of 99.62 percent, and the sum of the absolute differences from the required assessment level was 0.63 percent. Accordingly, the BOE certifies that San Bernardino County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

OVERVIEW OF SAN BERNARDINO COUNTY

San Bernardino County is located in southeast California. Encompassing a total area of 20,105 square miles, San Bernardino County is the largest county in California in terms of area. The county's total area consists of 20,057 square miles of land area and 48 square miles of water area. San Bernardino is bordered on the north by Inyo County, on the east by the states of Nevada and Arizona, on the south by Riverside and Orange Counties, and on the west by Kern and Los Angeles Counties.

Created in 1853 from portions of Los Angeles, San Diego, and Mariposa Counties, San Bernardino has 24 incorporated cities. The city of San Bernardino is the county seat. As of 2012, San Bernardino County had a population of 2,077,453.



The Mojave National Preserve, a portion of the San Bernardino National Forest, and portions of the Death Valley and Joshua Tree National Parks are all located in San Bernardino County.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the San Bernardino County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

- RECOMMENDATION 1:** Develop written procedures for the assessment of staff-owned property.....7
- RECOMMENDATION 2:** Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).9
- RECOMMENDATION 3:** Improve the change in ownership procedures by not requiring a claimant to pay a processing fee when filing a claim for an exclusion.11
- RECOMMENDATION 4:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.13
- RECOMMENDATION 5:** Improve the business equipment valuation program by ensuring that pollution control equipment financed by state bonds does not escape assessment.....14

ADMINISTRATION

Staff Property and Activities

The BOE's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties and conflicts of interest. This review is done to ensure there are adequate and effective controls in place to prevent the assessor's staff from being involved in the assessment of property in which they have an ownership interest and to prevent conflicts of interest.⁵

We reviewed the assessor's procedures and policies involving staff-owned property, and we reviewed several staff-owned property record files. We found an area in the assessor's staff property and activities program in need of improvement.

RECOMMENDATION 1: Develop written procedures for the assessment of staff-owned property.

The assessor has written policies and procedures in place for handling employee conflicts of interest and outside employment activities; however, the assessor has only informal policies and no written procedures to address the assessment of staff-owned property. While we did not find any problems with the assessor's handling of staff-owned properties, the assessor should have written procedures in place to fully address the assessment of real and personal property in which staff in the assessor's office holds an interest.

Conversion of the informal policies to written procedures to formalize existing policies is good business practice. Written procedures are preferred because they are more easily tracked and can be referenced when questions arise; their existence commonly results in a greater degree of compliance. Letter To Assessors (LTA) No. 2008/058 was issued as a guide to assist assessors in establishing procedures relative to the assessment of staff-owned property. Written procedures addressing the assessment of not only staff-owned property, but also property owned by a spouse, a family member, or a dependent child, is considered sound management and is recommended.

The procedures for the assessment of staff-owned property need not be lengthy or complicated, but should be formalized in a written format and provided to all staff. The procedures adopted by the assessor should:

- Clearly define the assessor's policies and procedures,
- Establish staff's responsibilities,
- Create a file or listing of all staff-owned property in the county,

⁵ For a detailed description of the scope of our review of Staff Property and Activities, please refer to the Assessment Practices Survey, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/staffproperty_general.pdf.

- Contain well-defined review procedures, and
- Accurately track and document all events with potential assessment implications.

Development of written procedures for staff-owned property that includes the above bulleted practices is recommended. The written procedures should provide staff with clearly established procedures and will help ensure that staff is aware of and follows office policy.

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁶

We examined several recorded documents and found that the assessor conducts a proper and thorough review for identifying and processing changes in ownership. In addition, we found that the assessor has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, we found areas in need of improvement.

Legal Entity Ownership Program (LEOP)

We reviewed several records involving legal entities having experienced a change in control or a change in ownership. We found areas in need of improvement.

RECOMMENDATION 2: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).

Reassess all properties owned by legal entities that have undergone a change in control or ownership.

We found several properties owned by legal entities having undergone a change in control or ownership that had not been reassessed, even though the assessor had been notified of the change by the BOE's LEOP Section.

Section 64(c)(1) provides that when a person or a legal entity acquires controlling interest of another legal entity by obtaining more than 50 percent of the voting stock or a majority ownership interest in that legal entity, there is a change in ownership of the real property owned by the legal entity being acquired. Section 64(d) provides that a change in ownership occurs when cumulatively more than 50 percent of the original co-owners' interest in the legal entity is transferred through one or more transactions, and the property that was previously excluded under section 62(a) shall be reappraised.

⁶ For a detailed description of the scope of our review of Change in Ownership, please refer to the Assessment Practices Survey, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf.

By not reassessing properties owned by legal entities identified as having undergone a change in control or ownership, the assessor may be enrolling incorrect assessments for those properties.

Apply appropriate penalties as required by section 482(b).

We found several instances where penalties were not applied when an entity failed to file a BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities* (BOE-100-B), or filed a BOE-100-B late, even though the assessor had been notified by the BOE's LEOP Section to apply the penalty.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. At the time of our survey, section 482(b) provided that if a person or legal entity failed to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurred earlier, they were subject to a 10 percent penalty.⁷

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

Change in Ownership Exclusions:

- **Section 63.1 Transfers**

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first \$1 million of other real property between parents and children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren.

- **Section 69.5 Transfers**

Section 69.5 generally allows persons 55 years of age or older, or who are severely and permanently disabled, to transfer the base year value of a principal residence to a replacement residence of equal or lesser value located within the same county. A county board of supervisors may provide by ordinance that base year values may be transferred from properties located outside the county.

⁷ Effective January 1, 2010, Senate Bill 816 (Stats. 2009, ch. 622) amended section 482(b) to provide for the application of a penalty if a person or legal entity failed to file a statement within 45 days of: (1) the date the change in control or the change in ownership occurred, or (2) the date of a written request from the BOE (filing of BOE-100-B), whichever occurred earlier. Prior to January 1, 2010, the penalty was only applicable if the statement was not filed within 45 days of a written request. In addition, effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended the filing requirement from 45 days to 90 days for a legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurred earlier.

We reviewed several section 63.1 and section 69.5 claim forms. We found the claim forms to be properly handled and correctly processed. However, we found an area in the assessor's procedures for processing exclusions in need of improvement.

RECOMMENDATION 3: Improve the change in ownership procedures by not requiring a claimant to pay a processing fee when filing a claim for an exclusion.

We found that it is the assessor's practice to require claimants to pay a processing fee of \$101 when filing for either a section 63.1 or a section 69.5 exclusion. When processing a claim for exclusion, it is the assessor's procedure to send a letter to the claimant requesting that the claimant pay the \$101 fee in order for their claim form to be processed. The letter informs the claimant that the fee is nonrefundable, regardless of whether the claim is approved or denied. While San Bernardino County Board of Supervisors adopted a fee schedule, effective July 19, 2012, to allow for this charge, a charge for an overall exclusion fee is not provided for in statute. In addition, San Bernardino County does not have a board order allowing the assessor to charge up to a \$175 processing fee if a transferee fails to timely return a certified claim for exclusion pursuant to section 63.1(j)(2).

Section 63.1(j)(1) states that if the assessor notifies the transferee in writing of a potential eligibility for exclusion from change in ownership, a certified claim for exclusion shall be filed within 45 days of the date of the notice. If the transferee fails to file within 45 days, the assessor may send a second notice allowing the transferee 60 days from the date of the second notice to file the certified claim for exclusion. The second notice shall indicate whether a certified claim for exclusion that is not filed within 60 days will be subject to a processing fee as provided for in section 63.1(j)(2).

Section 63.1(j)(2) states that if a certified claim for exclusion is not filed within 60 days of the date of the second notice and the transferee subsequently files a claim after the 60 days and qualifies for the exclusion, the assessor may, upon authorization by the county board of supervisors, require the transferee to pay a one-time processing fee. The assessor shall collect the fee at the time the claim is submitted, and shall reimburse the fee to the transferee if the claim is determined to be ineligible. The fee shall not exceed the amount of the actual and reasonable costs incurred by the assessor for reassessment work done due to the transferee's failure to file the claim for exclusion or \$175, whichever is less.

In addition, section 69.5(i)(3) allows a fee for a notice of rescission, as long as the amount of the fee is reasonably related to the cost of processing a rescission claim. The fee does not apply to the initial claim for exclusion.

As stated previously, the board of supervisors adopted and passed a fee schedule allowing the assessor to charge a \$101 processing fee for all claims for exclusion, but this charge is not in compliance with section 63.1(j)(2) or section 69.5(i)(3), and there is no other provision in statute that allows the assessor to charge a claimant a fee to file either a section 63.1 or a section 69.5 claim for exclusion. San Bernardino County's adopted fee schedule is in direct conflict with the provisions of section 63.1(j)(2) and 69.5(i)(3). According to *People ex rel. Deukmejian v. County*

of Mendocino (1984) 36 Cal.3d 476, 484, if a local ordinance duplicates or enters an area fully occupied by state law, the local ordinance is in conflict and, therefore, is void.⁸

The assessor's practice of charging a \$101 processing fee for all claims for exclusion is not in accordance with statute and should be discontinued.

⁸ See BOE Legal Department's Memorandum, Assignment No. 13-046, from Daniel Paul, Tax Counsel III (Supervisor). Also see *People ex rel. Deukmejian v. County of Mendocino* (1984) 36 Cal.3d 476, 484.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

Effective January 1, 2009, county assessors are required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.⁹

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, the amended statute requires the assessor to complete a minimum of 283 significant audits per year, of which 141 (142) audits are to be from the pool of taxpayers with the largest assessments and 142 (141) audits are to be from the pool of all other taxpayers. The assessor completed 222 total audits for the 2009-10 fiscal year, 355 total audits for the 2010-11 fiscal year, 275 total audits for the 2011-12 fiscal year, and 221 total audits for the 2012-13 fiscal year. Of those total audits, the number of audits completed from the pool of taxpayers with the largest assessments was 109 audits for the 2009-10 fiscal year, 58 audits for the 2010-11 fiscal year, 114 audits for the 2011-12 fiscal year, and 122 audits for the 2012-13 fiscal year. Given recent and current audit production levels, the assessor failed to meet the minimum number of significant audits required, as defined by section 469, each of the past four years.

RECOMMENDATION 4: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

We found that the assessor did not conduct the minimum number of audits required under the provisions of section 469 each of the past four years.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

⁹ For a detailed description of the scope of our review of the Audit Program, please refer to the Assessment Practices Survey, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf.

By failing to conduct a significant number of audits in a timely manner each year, the assessor is not in compliance with section 469.

Business Equipment Valuation

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.¹⁰

We reviewed the assessor's valuation procedures, as well as the assessor's application of valuation factor tables to ensure that they were accurate and applied consistently. Samples were analyzed to verify whether the assessor was applying the correct valuation factor tables to various business and equipment types, estimating supplies when not reported, making appropriate trade-level adjustments when necessary, appropriately assessing fixtures, and correctly assessing mobile construction and agricultural accounts. We found the assessor's valuation factor tables and class coding system to be comprehensive and well managed. However, we found areas in need of improvement.

RECOMMENDATION 5: Improve the business equipment valuation program by ensuring that pollution control equipment financed by state bonds does not escape assessment.

Ensure that pollution control equipment financed by state bonds does not escape assessment.

During calendar years 2008 and 2010, there were three businesses located in San Bernardino County that had entered into multi-million dollar contracts with the California Pollution Control Financing Authority (CPCFA). Information regarding these contracts was provided by the BOE to the assessor in County Assessors Only (CAO) Letter Nos. 2009/004 and 2011/007. We reviewed the records of these businesses and discovered that the assessor does not follow up on the information provided in order to determine whether this equipment should be assessed. In addition, we could find no informal or written procedures concerning the distribution of the CAO Letters. As a result, the CAO Letters do not consistently get routed to the appropriate personnel.

Division 27, chapter 1 of the Health and Safety Code (commencing with section 44500) authorizes the CPCFA to either acquire or finance the acquisition of devices or facilities necessary to mitigate air and water pollution caused by private industrial operations. If the CPCFA acquires the device or facility and leases it to a private company, then section 201.5 provides that a possessory interest in this type of equipment or facility owned by the CPCFA, whether in real or personal property, is taxable. However, most equipment acquisitions financed by the CPCFA are lease-purchase agreements, under which title passes to the lessee for \$1 at the end of the bond term, or loans, with title to the equipment vested in the private company. Consequently, the private company should be regarded as the owner of the equipment and should

¹⁰ For a detailed description of the scope of our review of Business Equipment Valuation, please refer to the Assessment Practices Survey, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf.

be assessed for its full value. To help identify such equipment or facilities, the BOE annually issues a letter to all assessors listing the pollution control financing bonds issued during the previous year, with project location by county, the name of the lessee, and the amount of each bond.

By failing to determine the assessability of pollution control equipment financed by state bonds, the assessor may be allowing property to escape assessment.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2012-13 assessment roll:¹¹

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$48,863,156,683
	Improvements	\$108,775,684,170
	Personal Property	\$343,114,908
	Total Secured	\$157,981,955,761
Unsecured Roll	Land	\$0
	Improvements	\$5,407,024,167
	Personal Property	\$5,382,970,841
	Total Unsecured	\$10,789,995,008
Exemptions¹²		(\$6,084,602,120)
	Total Assessment Roll	\$162,687,348,649

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:¹³

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2012-13	\$162,687,349,000	0.8%	1.4%
2011-12	\$161,435,498,000	-0.9%	0.1%
2010-11	\$162,857,115,000	-4.5%	-1.9%
2009-10	\$170,613,616,000	-6.2%	-2.4%
2008-09	\$181,838,957,000	5.1%	4.7%

¹¹ Statistics provided by BOE-822, *Report of Assessed Values By City*, San Bernardino County, for year 2012.

¹² The value of the Homeowners' Exemption is excluded from the exemptions total.

¹³ State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has decreased from \$18,929,483 in 2008-09 to \$17,634,465 in 2012-13.

As of the date of our survey, the assessor had 165 budgeted permanent positions. These positions consisted of the assessor, assistant assessor, 5 managers, 58 appraisers, 13 auditor-appraisers, 7 cadastral mapping technicians, 5 computer analysts, 32 other technician and professional positions, and 43 support staff.¹⁴

The following table sets forth the gross budget and staffing over recent years:¹⁵

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2012-13	\$17,634,465	7.3%	165
2011-12	\$16,443,066	1.8%	178
2010-11	\$16,153,753	-1.6%	178
2009-10	\$16,408,047	-13.3%	177
2008-09	\$18,929,483	-9.8%	210

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁶

YEAR	ASSESSMENT APPEALS FILED
2012-13	6,115
2011-12	7,235
2010-11	8,869
2009-10	13,387
2008-09	12,719

¹⁴ Information provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2012-13. In addition, see the Assessor/Recorder/County Clerk 2012-2013 Organizational Chart.

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

¹⁶ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

Table 5: Exemptions – Church and Religious

The following table shows religious and church exemption data for recent years:¹⁷

YEAR	RELIGIOUS EXEMPTIONS	EXEMPTED VALUE	CHURCH EXEMPTIONS	EXEMPTED VALUE
2012-13	1,031	\$767,140,822	264	\$137,564,080
2011-12	1,030	\$744,899,903	277	\$140,692,755
2010-11	1,030	\$746,200,043	273	\$129,697,286
2009-10	1,003	\$744,321,651	271	\$112,351,412
2008-09	997	\$681,129,038	284	\$117,188,160

Table 6: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹⁸

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2012-13	2,706	\$4,609,106,504
2011-12	2,514	\$4,293,630,394
2010-11	2,419	\$4,135,370,118
2009-10	2,165	\$3,638,590,256
2008-09	2,014	\$3,037,576,839

Table 7: Exemptions – Disabled Veterans'

The following table shows disabled veterans' exemption data for recent years:¹⁹

YEAR	DISABLED VETERANS' EXEMPTIONS	EXEMPTED VALUE
2012-13	1,796	\$185,381,114
2011-12	1,724	\$173,980,417
2010-11	1,652	\$163,880,047
2009-10	1,612	\$161,948,475
2008-09	1,534	\$152,989,727

¹⁷ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

¹⁸ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

¹⁹ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

Table 8: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:²⁰

YEAR	REAPPRAISABLE TRANSFERS
2012-13	75,543
2011-12	80,249
2010-11	92,504
2009-10	94,113
2008-09	80,525

Table 9: New Construction

The following table shows the total number of new construction assessments processed in recent years:²¹

YEAR	NEW CONSTRUCTION ASSESSMENTS
2012-13	5,303
2011-12	6,138
2010-11	6,230
2009-10	11,042
2008-09	15,907

²⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

²¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

Table 10: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years.²²

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2012-13	191,188
2011-12	203,229
2010-11	186,131
2009-10	183,518
2008-09	170,478

²² Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

San Bernardino County

Acting Chief

Benjamin Tang

Survey Program Director:

Mike Harris

Manager, Property Tax

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team Leader:

Jody Henning

Senior Specialist Property Appraiser

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Michael Ash

Associate Property Appraiser

Jennifer Prince

Associate Property Appraiser

Brian Salmon

Associate Property Appraiser

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Ardeshir Noroozkhani

Associate Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	Description
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records; appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report; final survey report; assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 370	Random selection of counties for representative sampling.
Rule 371	Significant assessment problems.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The San Bernardino County Assessor's response begins on the next page. The BOE has no comments on the response.

OFFICE OF THE ASSESSOR

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www.SBCounty.gov/assessor

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County-Assessed Properties Division
State Board of Equalization



BOB DUTTON

County of San Bernardino
Assessor-Recorder-County Clerk

February 9, 2015

Mr. Benjamin Tang
Acting Chief
County-Assessed Properties Division
Property Tax Department
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0064

Re: January 2015 San Bernardino County Assessment Practices Survey

Dear Mr. Tang:

In accordance with Government Code 15645 I am responding on behalf of the San Bernardino County Assessor-Recorder-County Clerk staff to the Assessment Practices Survey recently released for San Bernardino County.

Attached please find our responses to the recommendations. We concur with all of the recommendations. We have and currently are taking steps to address each recommendation and change our policies to coincide with such.

Mr. David Dodson, Supervisor, and his survey team performed their survey before I took office. I have been advised by my management staff that Mr. Dodson and his team were professional, respectful and thorough. The team members were knowledgeable about property tax law and proper assessment practices in the State of California.

We look forward to our continued association with the BOE on future surveys and assessment issues.

Sincerely,

Bob Dutton
Assessor-Recorder-County Clerk
San Bernardino County

San Bernardino County Assessor-Recorder-County Clerk
Response to BOE Recommendations

Recommendation 1: Develop written procedures for the assessment of staff-owned property.

Response 1: We concur. We will develop and implement policy and procedures for the implementation of staff-owned property.

Recommendation 2: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).

Response 2: We concur.
(1) We are currently addressing our backlog of properties which have undergone a change in control or ownership which have not been reassessed and will implement procedures to prevent a backlog in the future.
(2) We have recently completed programming changes to our Property Information Management System (PIMS) to calculate and apply penalties pursuant to section 482(b). We will be applying and collecting penalties beginning with the 2015 assessment roll year.

Recommendation 3: Improve the change in ownership procedures by not requiring a claimant to pay a processing fee when filing a claim for an exclusion.

Response 3: We have already stopped collecting filing fees for section 63.1 and 69.5 exclusion filings.

Recommendation 4: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Response 4: We concur and have already taken steps to correct this deficiency.

Recommendation 5: Improve the business equipment valuation program by ensuring that pollution control equipment financed by state bonds does not escape assessment.

Response 5: We concur. We are currently establishing formal procedures to review and route CAO letters to appropriate personnel to assure pollution control equipment does not escape assessment. The three businesses listed on CAO letters (2009/004 and 2011/007) have been or are currently being addressed through the audit process. The pollution control equipment has been or will be assessed appropriately.